



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR


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FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: DECEMBER 11, 2013

SUBJECT: SOCIAL SECURITY NUMBER TRUNCATION COMPLIANCE AUDIT OF THE COUNTY CLERK-RECORDER'S OFFICE ENDING FY 2013.

In compliance with California Government Code Section 27361(d)(4) our office recently completed an audit of the County Clerk-Recorder's implementation and performance of the Social Security Number (SSN) Truncation Program.

Purpose

The purpose of our audit was to:

- inspect evidence that the County Clerk-Recorder is charging \$1 for recording the first page of every instrument, paper or notice required or permitted by law to be recorded;
- verify the funds generated by the fee are used only for the purpose of the SSN Truncation Program;
- determine the progress of the County Clerk-Recorder in truncating recorded documents from January 1, 1980 to June 14, 2013; and
- estimate the ongoing costs of complying with the California Government Code Sections 27300-27307 and 27361(d).

Scope

Our audit included the Clerk-Recorder's financial records from Jan 2008 through June 2013, and all public documents recorded from January 1, 1980 to June 14, 2013.

Methodology

We conducted our review in conformance with California Government Code Section 27361(d)(4) and the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function is subject to a program of quality assurance; and that the results of the engagements are communicated.

We reviewed the Clerk-Recorder's breakdown of fees charged for all recorded documents, and we reviewed all expenditures for the SSN Truncation Program. We tested a random sample of 2,294 and a select sample of 136 public records for proper SSN truncation. In addition, we examined projected software, staffing and overhead expenses to estimate the on-going costs of the program.

Results

We determined that:

- the Clerk-Recorder was charging \$1 for recording the first page of every instrument, paper or notice required or permitted by law to be recorded
- the funds generated by the fee were used only for the purpose of the SSN Truncation Program.
- the estimated ongoing costs to comply with the California Government Code Sections 27300-27307 and 27361(d) through December 31, 2017 are \$422,557. Funding to comply with the code is provided by the \$1 fee for recording the first page of every instrument, paper or notice, may be charged through December 31, 2017, and appears sufficient to cover costs.

Findings and Recommendations

We determined the Clerk-Recorder used due diligence to locate and truncate SSNs in the public version of official records.

However, of our random sample of 2,294 public records we identified 1,115 that contained SSNs. Of these, we identified six documents recorded during the period of January 1, 1980 – December 31, 2008 and one document recorded during the period January 1, 2009 – June 14, 2013 for a total of seven (0.6%) documents where one or more SSNs were not truncated.

Untruncated SSNs were identified in documents containing multiple SSNs, as well as other specific document types. Therefore, we performed an additional test of 136 public records known to have SSNs. We identified 12 documents recorded during the period of January 1, 1980 – December 31, 2008 and 2 documents recorded during the period January 1, 2009 – June 14, 2013 for a total of 14 documents where one or more SSNs were not truncated.

The errors found in all our testing along with the types of documents were communicated to the Clerk-Recorder on August 28, 2013. On October 2, 2013 the Clerk-Recorder provided the following update:

"The Social Security Truncation program was instituted in 2009 and required the County Recorder to truncate social security numbers in all official records beginning in 1980. To meet the requirements of the truncation program, the Clerk-Recorder contracted with a vendor whose software identifies pages of documents that have the potential to contain a social security number that

requires truncation. The Clerk-Recorder staff then reviews these pages and applies the necessary truncation to the document. When this program was written into law, the Recorder was exempted from liability for failure to truncate a social security number as long as the County Recorder used due diligence to locate and truncate social security numbers in the public version of the official records. The law also allows any person to request that a social security number be truncated from the record. In the event of such a request, it is the Recorder's responsibility to truncate the Social Security number and place the truncated version into the public record within 10 days of the request.

When the Auditor-Controller staff identified recorded documents that did not have the social security numbers properly truncated, two actions were taken. First, the social security numbers on the identified documents were truncated and the truncated documents were made a part of the public records in place of the untruncated version, as required by law. Second, the County Clerk-Recorder worked with the software vendor to determine the issue and the proper course of action for completion of the backfile truncation as well as truncation of current recordings. The deficiencies in the truncation software were identified, and the vendor is in the process of correcting the software code. Once this is completed, the documents will be resubmitted to ensure any social security number that was missed will be appropriately truncated. This process is scheduled to be completed in November, 2013."

Section 9526.5(g) of the California Civil Code reads: "In the event that a filing office fails to truncate a social security number contained in a record . . . a filing office that receives a request that identifies the exact location of an untruncated social security number that is required to be truncated . . . shall truncate that number within 10 business days of receiving the request." Additional testing on November 26, 2013 indicated that 17 of the 21 auditor-identified untruncated records had been truncated. We also determined that the vendor had updated the software code and the Clerk-Recorder was in the process of resubmitting official records for truncation.

Through subsequent discussions with the Clerk-Recorder regarding the four untruncated records, we learned that when official records were resubmitted into the software, the program identified records that had been manually truncated by staff as being untruncated. Those records will be required to be manually truncated again.

Recommendation:

We recommend that upon completion of resubmitting the official records for truncation the Clerk-Recorder's Office test a sample of records that are known to contain social security numbers to determine the accuracy of the updated truncation process and take corrective action as necessary.

We would like to thank you and your staff for the high level of cooperation we received during our audit.